

Economic Impact Statement
LSA Document #12-511**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses****Estimated Number of Small Businesses Subject to this Rule:**

There are currently five primary timber companies that purchase materials from Thousand Canker Disease (TCD) infested states and are affected by this rule. It is estimated that five more timber companies could be affected by this rule. The 180 secondary hardwood manufacturers (businesses that make furniture and other walnut products from kiln dried lumber) are not expected to be impacted by this rule. This rule is not anticipated to impact companies that do not deal with the timber industry.

Estimated Average Annual Reporting, Record Keeping, and Other Administrative Costs Small Businesses Will Incur for Compliance:

It is estimated that each business will incur a cost of 0.5 man days (or four hours) to complete the paperwork to initiate a compliance agreement for TCD. Assuming that the average employee earns \$15 per hour, the estimated annual cost to initiate a compliance agreement is \$60 per year. It is also assumed that the fees associated with obtaining a phytosanitary certificate in the state of origin will not be borne by the small businesses of Indiana. The current general practice for companies under compliance agreements is that either the business selling the material or the exporting/shipping company obtains the compliance agreement at the state of origin and pays any fees.

Estimated Total Annual Economic Impact on Small Businesses to Comply:

The anticipated impact is administrative costs outlined above in amount of \$60 per year per business that will be affected by this rule. With a maximum of 10 businesses that may be impacted by the rule, the total economic impact to small businesses in Indiana may be \$600 per year.

Justification Statement of Requirement or Cost:

Costs associated with rule with an estimated maximum impact to the entire state being \$600 per year are minimal in comparison to the damage that can be done to the walnut industry should this pest and pathogen complex be allowed to invade Indiana. Potential loss of walnut resource in Indiana would be upwards of \$800,000,000 (information taken from the saw log value from 2004-2008 Indiana forest inventory analysis). In addition, the wildlife that utilizes the walnut tree as a food source would be heavily impacted.

Regulatory Flexibility Analysis of Alternative Methods:

There are three alternatives to this rule:

- (1) allow all materials into the state without determining the state of origin;
- (2) prohibit all out of state origin walnut material from entering the state; or
- (3) prohibit/ regulate all walnut material originating in TCD positive states from entering the state.

Allowing all material into the state without regard to the state of origin could be catastrophic to walnut timber industry. The current estimated value of walnut in Indiana is \$800,000,000 in saw log value, several million in veneer log value, as well as the aesthetic and wildlife value that cannot be estimated. These estimates do not take into account the loss of logging, hauling and sawmill jobs that could occur if TCD is established in Indiana causing walnut trees to die. Without inspecting the logs upon arrival, the state of Indiana would be creating an avenue in which an infestation of the pest and pathogen complex could easily enter and spread throughout the state.

Prohibiting all out-of-state walnut material or even material originating in TCD positive states would also be damaging to the walnut timber industry. Several hundred thousand dollars worth of walnut saw logs and veneer logs enter Indiana each year from Tennessee alone. If more states find TCD in their forests, these high value walnut logs would not be allowed to enter Indiana, which would cause reduced revenue in Indiana businesses. The proposed rule provides protection to Indiana's walnut resources while still allowing companies to conduct business with TCD positive states.

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